

WHA CORPORATION PLC

No. 23/2021
18 March 2021

CORPORATES

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|------------------------|----------|
| Company Rating: | A- |
| Issue Ratings: | |
| Senior unsecured | A- |
| Outlook: | Negative |

Last Review Date: 28/01/21

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|---------------|
| 27/09/19 | A- | Negative |
| 14/11/17 | A- | Stable |

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RATIONALE

TRIS Rating affirms the company rating on WHA Corporation PLC (WHA) and the ratings on its outstanding senior unsecured debentures at “A-” with a “negative” outlook. At the same time, TRIS Rating assigns the rating of “A-” to WHA’s proposed issue of up to THB4 billion in senior unsecured debentures. WHA intends to use the proceeds from the new debentures to refinance its outstanding debt and/or for working capital needs.

The “negative” outlook reflects the expectation that WHA’s financial leverage will remain high over the next few years. The ratings continue to reflect WHA’s strong competitive position and track records in the built-to-suit warehouse and the industrial estate industry. The ratings also incorporate a sizable base of recurring income from rental properties, utility services, and dividends from power generation business, as well as the financial flexibility from the ability to sell its assets to real estate investment trusts (REIT).

WHA’s operating results in 2020 were in line with our expectations. Operating revenue fell by 28.3% year-on-year (y-o-y) to THB8.2 billion, reflecting the impacts from the COVID-19 pandemic and the severe drought in 2020.

However, WHA received higher dividends from its investments in power generation business. Dividend income rose to THB2.0 billion in 2020, compared with THB0.8 billion during the same period of the previous year. As a result, earnings before interest, tax, depreciation, and amortization (EBITDA) increased by 22.0% y-o-y to THB5.7 billion, while funds from operations (FFO) rose by 28.3% y-o-y to THB4.2 billion.

At the end of 2020, the total debt to capitalization ratio was 54.2%, while the adjusted net debt to EBITDA was 6.7 times. In our view, WHA’s leverage will stay high on the back of its several investments lying ahead. However, we believe WHA should have enough flexibility to keep its financial leverage under control. This is supported by the company’s financing option of selling assets to REITs for fundraising as opposed to borrowings.

RATING OUTLOOK

The “negative” outlook reflects our concerns over WHA’s increased leverage. A potential slow recovery in the demand for industrial properties coupled with the unprecedented risks induced by the COVID-19 pose significant risks to WHA’s operating performance in the medium term.

RATING SENSITIVITIES

The outlook could be revised back to “stable” if WHA is able to lower its leverage with its net debt to EBITDA ratio to stay below 7 times on a sustained basis. However, WHA’s ratings could be downgraded if the impact of COVID-19 on WHA’s operating performance is prolonged or if the company makes any sizable

debt-funded investments that further weaken its balance sheet and cash flow protection.

RELATED CRITERIA

- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

WHA Corporation PLC (WHA)

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|---|----------|
| Company Rating: | A- |
| Issue Ratings: | |
| WHA214A: THB1,900 million senior unsecured debentures due 2021 | A- |
| WHA217A: THB600 million senior unsecured debentures due 2021 | A- |
| WHA219A: THB1,500 million senior unsecured debentures due 2021 | A- |
| WHA222A: THB1,000 million senior unsecured debentures due 2022 | A- |
| WHA224A: THB454.2 million senior unsecured debentures due 2022 | A- |
| WHA224B: THB2,100 million senior unsecured debentures due 2022 | A- |
| WHA226B: THB2,000 million senior unsecured debentures due 2022 | A- |
| WHA234A: THB1,100 million senior unsecured debentures due 2023 | A- |
| WHA237A: THB2,050 million senior unsecured debentures due 2023 | A- |
| WHA230A: THB328 million senior unsecured debentures due 2023 | A- |
| WHA244A: THB1,000 million senior unsecured debentures due 2024 | A- |
| WHA247A: THB280 million senior unsecured debentures due 2024 | A- |
| WHA247B: THB1,450 million senior unsecured debentures due 2024 | A- |
| WHA257A: THB500 million senior unsecured debentures due 2025 | A- |
| WHA250A: THB2,380 million senior unsecured debentures due 2025 | A- |
| WHA264A: THB400 million senior unsecured debentures due 2026 | A- |
| Up to THB4,000 million senior unsecured debentures due within 5 years | A- |
| Rating Outlook: | Negative |

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